

FDIC State Profile

Summer 2005

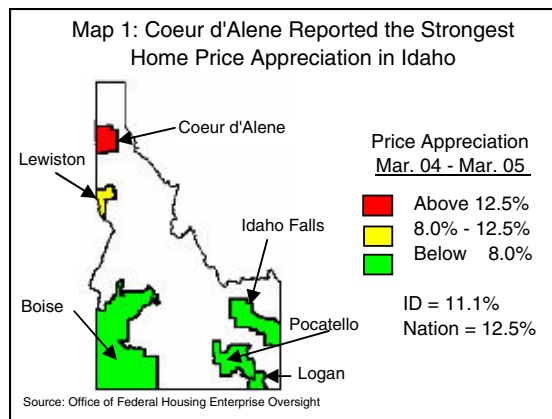
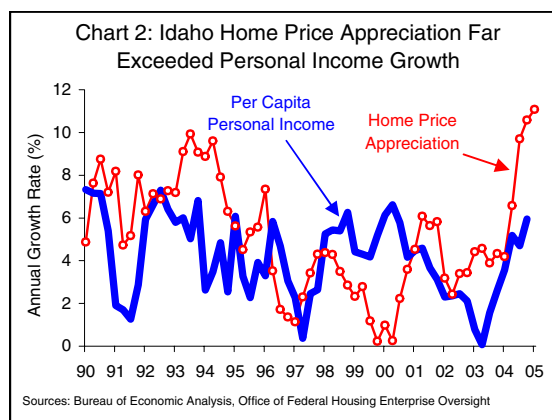
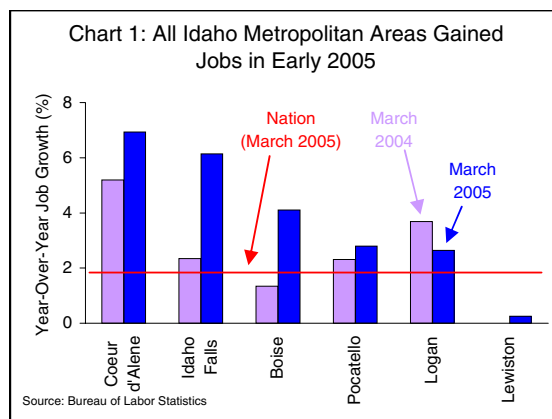
Idaho

Idaho job growth remained strong in first quarter 2005; measuring 3 percent and ranking sixth nationwide.

- Robust gains in the business and education and health services sector boosted employment growth in early 2005 and accounted for nearly 40 percent of Idaho job gains.
- Although the construction sector reported strong job growth in early 2005, it is expected to report annual employment decreases between 2006 and 2008 as the pace of residential real estate construction cools and in-migration moderates.¹
- The state's important manufacturing sector remained stable; however, it will likely benefit from renewed hiring plans at Micron, the state's largest employer.
- Job gains permeated all of the state's metropolitan areas and were particularly strong in **Coeur D'Alene** and **Idaho Falls** (See Chart 1).
- The recent recommendations of the Base Realignment and Closure committee may result in a net loss of nearly 700 jobs in Idaho, primarily at Mountain Home Air Force Base in **Elmore County**. If implemented, the cuts would result in a loss of about 6 percent of the jobs in Elmore County.

Idaho home price appreciation was particularly strong.

- Idaho house price appreciation accelerated sharply during 2004 and first quarter 2005 and now far exceeds per capita personal income gains in the state (See Chart 2). Nevertheless, the state's major housing markets remain relatively affordable compared to other areas in the West.
- Increased home price appreciation likely contributed to the improvement in the state's foreclosure start rate, which fell below the national average in 2004 for the first time since 2000.
- Home price gains were strongest in the Coeur d'Alene and **Lewiston** metropolitan areas (See Map 1). While Coeur d'Alene has benefited from strong in-migration



¹Sources of forecast data are Idaho Division of Financial Management "Idaho Economic Forecast" (April 2005) and Economy.com.

State Profile

trends, the metropolitan area recorded large gains in new housing supply relative to population growth in 2004 and, may be increasingly vulnerable to oversupply.

- Although most insured financial institutions headquartered in Idaho report relatively modest investments in 1-4 family mortgages, many remain vulnerable to house price declines because of construction and development (C&D) loan portfolios, which typically include a high percentage of loans for residential projects.² The median C&D loan growth rate was a rapid 76 percent year-over-year as of March 31, 2005. C&D loan exposure ranked second in the nation as of first quarter 2005 (See Chart 3).
- The percentage of adjustable-rate mortgages (ARMs) increased from 14 percent in 2003 to 31 percent in 2004, the highest level since 1995 (See Chart 4). Some of these borrowers may be vulnerable to increasing debt service requirements of ARMs should interest rates rise sharply.

Profits outpaced national returns.

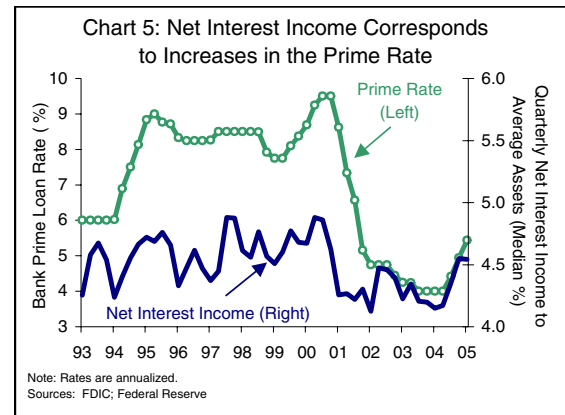
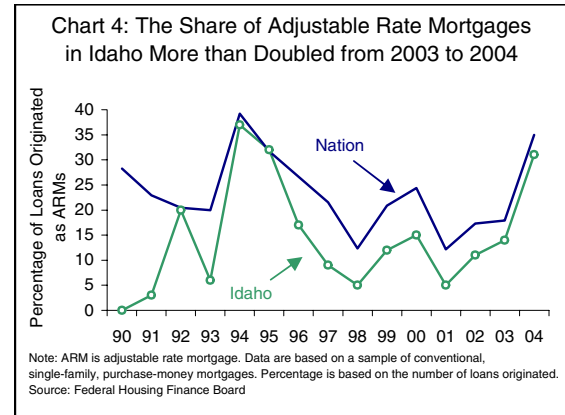
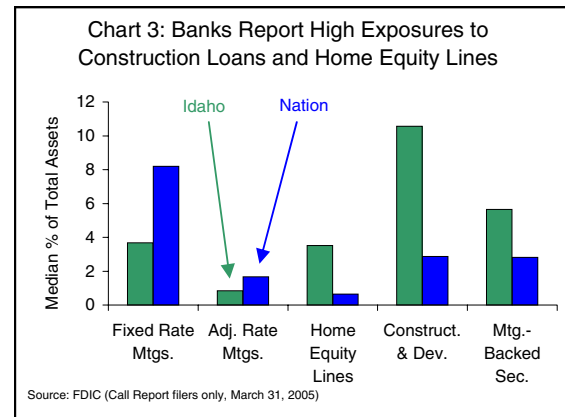
- Expanding margins and lower overhead helped boost first quarter 2005 profits at Idaho-based insured institutions. Return on average assets (ROA) climbed from 0.82 percent one year earlier to 1.21 percent this year, which was well above the 1.04 percent ROA reported by institutions nationwide.
- Improved margins reflect the significant investment in interest-sensitive commercial and industrial (C&I) loans during a rising rate period (See Chart 5). Insured institutions based in Idaho reported the highest exposure to C&I loans in the nation.
- Although overhead costs continue to improve via reductions in both salaries and fixed asset expenses, elevated overhead costs remain a drag on earnings performance among institutions in the state. The median level of salary expense-to-average assets for Idaho-based institutions was 2.10 percent, compared with 1.60 percent for institutions nationwide.

Delinquencies improve, especially in the commercial real estate (CRE) portfolio.

- Past-due loan ratios decreased year-over-year at Idaho-based institutions, ranking a favorable 39th nationwide as of March 31, 2005.
- Delinquencies may be benefiting from recent strong loan growth, especially among C&D and other CRE loans, which grew at a median 33.5 percent year-over-year during

first quarter. The median CRE past-due ratio decreased to 0.35 percent as of March 31, 2005, down from 1.20 percent one year ago.

- Despite decreased delinquencies and a slight increase in provision levels, the median allowance for loan loss-to-total loan ratio decreased, although at 1.31 percent, it remained just above the national median of 1.23 percent as of March 31, 2005.



²Because of Call Report and Thrift Financial Report data limitations, the proportion of construction and development mortgages relate to single-family building is unknown.

Idaho at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.0%	1.3%	1.5%	-1.0%	3.1%
Manufacturing (10%)	0.1%	-3.6%	-2.0%	-8.4%	1.5%
Other (non-manufacturing) Goods-Producing (8%)	8.4%	5.8%	1.6%	-6.8%	4.0%
Private Service-Producing (63%)	3.2%	1.9%	2.4%	0.0%	3.9%
Government (19%)	2.2%	0.6%	0.8%	2.6%	1.4%
Unemployment Rate (% of labor force)	4.2	5.0	5.4	5.3	4.7

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	5.3%	2.5%	4.0%	6.3%
Single-Family Home Permits	47.6%	12.8%	26.1%	-10.3%	4.5%
Multifamily Building Permits	-2.4%	-1.9%	49.0%	-53.1%	365.5%
Existing Home Sales	N/A	10.7%	3.6%	-8.3%	6.2%
Home Price Index	11.1%	4.2%	4.4%	3.2%	4.5%
Bankruptcy Filings per 1000 people (quarterly level)	1.62	1.68	1.62	1.54	1.47

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	17	18	19	20	19
Total Assets (in millions)	5,653	4,864	4,252	3,723	3,289
New Institutions (# < 3 years)	0	1	2	2	1
Subchapter S Institutions	0	0	0	0	0

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.96	1.36	1.09	1.89	1.34
ALLL/Total Loans (median %)	1.31	1.40	1.37	1.36	1.37
ALLL/Noncurrent Loans (median multiple)	7.18	3.06	3.08	2.16	3.13
Net Loan Losses / Total Loans (median %)	0.15	0.17	0.18	0.20	0.24

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	9.18	8.53	8.42	8.57	8.73
Return on Assets (median %)	1.01	0.86	0.99	0.88	0.94
Pretax Return on Assets (median %)	1.64	1.36	1.52	1.31	1.42
Net Interest Margin (median %)	5.46	5.34	5.28	5.30	5.25
Yield on Earning Assets (median %)	7.71	7.52	7.57	8.00	8.51
Cost of Funding Earning Assets (median %)	2.31	2.39	2.45	2.79	3.11
Provisions to Avg. Assets (median %)	0.30	0.28	0.28	0.31	0.30
Noninterest Income to Avg. Assets (median %)	1.02	1.09	1.22	1.11	1.04
Overhead to Avg. Assets (median %)	4.19	4.24	4.27	4.31	4.13

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	72.4	70.9	71.3	67.8	68.8
Noncore Funding to Assets (median %)	20.2	19.3	17.3	18.1	20.5
Long-term Assets to Assets (median %, call filers)	13.0	14.3	18.6	13.3	12.2
Brokered Deposits (number of institutions)	8	8	5	4	4
Brokered Deposits to Assets (median % for those above)	3.6	4.4	3.5	5.7	5.7

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	157.4	150.8	175.5	163.6	180.2
Commercial Real Estate	357.5	278.0	244.4	221.6	190.3
Construction & Development	116.1	78.0	53.2	57.6	42.5
Multifamily Residential Real Estate	3.6	3.3	0.7	0.4	2.2
Nonresidential Real Estate	207.6	205.4	158.3	148.7	135.5
Residential Real Estate	114.1	126.9	126.8	127.0	139.0
Consumer	47.2	57.3	53.0	63.0	64.0
Agriculture	53.6	61.1	42.2	55.7	86.3

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Boise City-Nampa, ID	20	5,637	< \$250 million	7 (41.2%)
Coeur d'Alene, ID	14	1,271	\$250 million to \$1 billion	10 (58.8%)
Idaho Falls, ID	11	941	\$1 billion to \$10 billion	0 (0%)
Lewiston, ID-WA	9	620	> \$10 billion	0 (0%)
Pocatello, ID	11	548		